Preliminary BOP data

550. SHRI RAVULA CHANDRA SEKAR REDDY: Will the Minister of FINANCE be pleased to state:,

(a) whether it is a fact that the Reserve Bank of India's preliminary balance of payments (BOP) data for the first six months of the year do not reveal any significant departure from certain well documented trends in the external sector;

(b) if so, details thereof during the last three comparative years;

(c) whether the impact of the strengthening rupee is once again seen in the decelerating merchandise exports;

(d) if so, the details thereof and the reasons therefor; and

(e) the corrective steps to be taken in future?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The balance of payments position (preliminary data) in the first six months of the current financial year as relesed by RBI in relation to the trends in the last three years is indicated in the Statement (*see* below).

(c) to (e) There is no one to one relationship between rupee appreciation and decrease in exports, as the latter depends on many other factors as well. Despite sizeable appreciation of the rupee *vis-a-vis* US dollar, exports in April-December 2007 grew by 21.6 per cent in dollar terms over the corresponding period of the previous year. However, some sectors like textiles, handicrafts carpets etc. have registered low or negative growth in April-October 2007 over the corresponding period of the previous year.

The Government has announced relief packages to exporters, which include, *inter-alia,* reduction in export credit guarantee premium, release of Rs. 600 crore for clearing all arrears of terminal excise duties, reimbursement of central sales tax, enhancement of duty drawback rates, enhanced Duty Entitlement Passbook (DEPB) rates for 9 sectors which include labour intensive sectors, and reduction interest rates on pre and post shipment credit for the 9 sectors and all exporters from the small and medium enterprises sector.

Statement

India's overall balance of payments

(in US $ million)

	2007-08P	2006-07PR	2005-06R	2004-05R
Item	Apr.-Sep	Apr.-Sep	Apr.-Sep	Apr.-Sep
1	2	3	4	5
Imports	1,16,066	95,224	76,380	51,522
Exports	73,665	61,450	48,994	36,715
I. Trade balance	-42,401	-33,774	-27,387	-14,806
II. Invisible	31,608	23,434	17,909	13,985

1	2	3	4	5
III Current account balance (I+II)	-10,713	-10,340	-9,488	-822
Capital account (1 to 4)				
1. Foreign Investment	22,214	6,135	7,840	2,912
2. Loans	16,997	9,986	6,285	3,588
3. Banking Capital	5,263	3,343	2,777	291
4. Other Capital	5,978	-241	-445	698
IV Total Capital Account (1 to 4)*	50,408	19,156	16,315	7,209
Overall balance (III+IV)^	40,436	8,649	6,503	6,935

NOTE: Loans include external assistance, ECBs and Short-term credits

*includes rupee debt service not detailed here

^Including errors and omissions

Disincentives for checking external commercial borrowings

551. SHRI RAVULA CHANDRA SEKAR REDDY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government's disincentives to check unbridled external commercial borrowings have not borne fruit;

(b) if so, the details thereof and reasons therefor; and

(c) the future action plan of Government in this regard?

THE MINISTER OF STATE IN THE MINISTER OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) The ECB Policy is reviewed continuously by the Government in consultation with the Reserve Bank of India, keeping in line with the evolving macro-economic situation, changing market conditions, sectoral requirements, developments in the external sector and the lessons of experience. With sovereign credit ratings of India enhanced to investment grade, the all-in-cost ceilings for ECB have been modified effective May 21, 2007. Further use of ECB proceeds for development of integrated township has since been withdrwan effective May 21, 2007. Based on further review, the inflows of captial have been modulated through External Commercial Borrowings (ECB) by modifying some aspects of the policy with effect from August 7, 2007, i.e. ECB up to USD 500 million per borrower company per financial year has been permitted only for foreign currency expenditure on import of capital goods and/or overseas acquisition and for permissible end-uses of ECB both under the Automatic and Approval Route. Borrowers proposing to avail of ECB up to USD 20 million for rupee expenditure for permissible end-uses would require prior approval of the Reserve Bank under Approval Route.

Notwithstanding the above, the total ECBs registered with RBI amounts to USD 19.2 bn during April-October, 2007 as compared to US$ 11.8 bn during April-October, 2006 and US$ 25.4 bn in fianncial year 2006-07. Thus it may be observed that in the absence of the above measures, the ECBs registered with RBI would have been much higher.